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Weekly Highlights & Hot Bites, #44

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Report Highlights:

Inflation rate eases to below 11 percent, *Economy to grow at 7 percent *, *Indo-ASEAN FTA may miss target date*, *Clearance delays, impractical test process hurting exports: APEDA*.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
New Delhi [IN1]
[IN]

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

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INFLATION RATE EASES TO BELOW 11 PERCENT

Inflation has dropped below 11 percent for the first time since May this year. The annual wholesale price index-based inflation at 10.68 percent for the week ending October 18 was lower than the previous week's 11.07 percent. On a disaggregated basis, the annual rate of inflation declined to 10.92 percent in the case of the 'Primary Articles' group, compared with 11.53 percent in the previous week. Out of a total of 98 articles in this category, 15 articles showed a decline in the current week, which included wheat, several pulses, raw cotton, potatoes, peanut, several fruits, and cashew nut. The fuel and power commodity group declined to 11.09 percent in the current week compared to 14.49 percent in the previous week. (Source: Business Line, 10/31/08)

ECONOMY TO GROW AT 7 PERCENT

Indian economic growth is expected to slow down from 9 percent in 2007-08 to at least 7 percent in 2008-09, according to Planning Commission Deputy Chairman, Montek Singh Ahluwalia. He said the 7 percent GDP growth in the current economic environment was the most "pessimistic" projection, but even then it was the highest among emerging economies except China. "What we now feel is the pain involved in going down from 9 percent to 7 percent. But we should aim at going back to the high growth track. We need to focus on growth," he said. Earlier this month, the Reserve Bank of India lowered its growth forecast from 7.9 percent to 7.7 percent. The Prime Ministers' economic advisory council has said that it sees the Indian economy expanding by 7.6 to 8 percent in 2008-09. (Source: Economic Times, 10/31/08)

INDO-ASEAN FTA MAY MISS TARGET DATE

The implementation of the ambitious India-ASEAN Free Trade Agreement (FTA) is likely to miss the target date of January 1, 2009, negotiations for which closed this August. One reason for the delay is some ASEAN members, including Thailand and Philippines, are yet to get the agreement ratified by their parliaments. "If the ratification takes time, the signing of the agreement may be delayed," a government official said. In India, the deal does not need to be ratified by the Parliament. It will have to be cleared by the Union Cabinet. If the national elections are announced for early 2009, the moral code of conduct will kick in a few months before, and as a result, India will not be able to sign the deal. (Source: Business Standard, 10/31/08)

CLEARANCE DELAYS, IMPRACTICAL TEST PROCESS HURTING EXPORTS: APEDA

According to a report prepared by the Agricultural and Processed Food Export Development Authority (APEDA), India's traditional agricultural export items (tea, coffee and cashew) are fast losing their share in the international market. The report also emphasizes that there is an urgent need to repackage and add value to these products for retaining their market share. However, India enjoys a monopoly for exportable goods like castor oil, guar gum,

tobacco, molasses, basmati rice etc. and is not likely to face tough competition in these products in the near future. Various factors like long delays in clearance, impractical approach to production testing, lack of harmonization of standards and unreasonable clearance procedure have been identified as adversely affecting exports to the European Union and the United States. (Source: The Financial Express, 10/31/08)

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